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Market volatility and a contentious election year caused advisor confidence to plummet

By Rob Burgess
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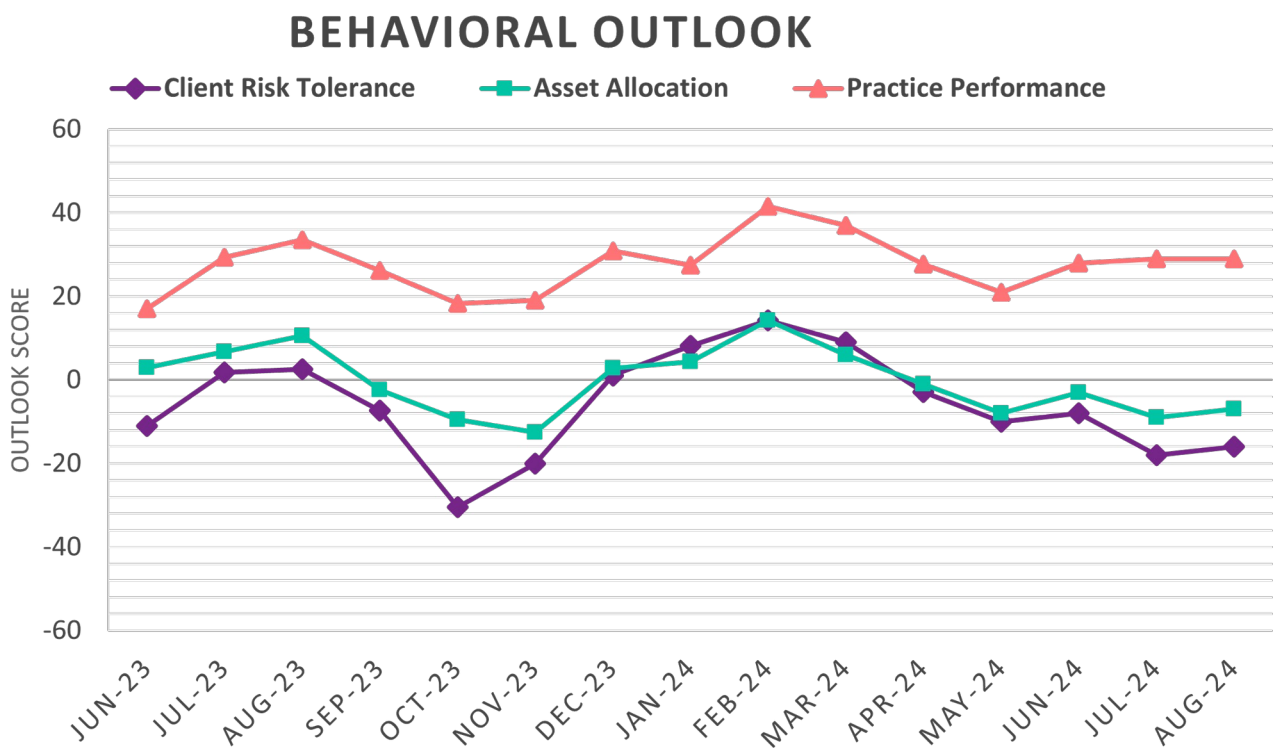
Financial advisors cast a wary eye toward the recent global market volatility in the final months of a contentious presidential election season.

Their confidence in the global economic system fell to new lows, according to the Financial Advisor Confidence Outlook (FACO), a survey of financial planners by Financial Planning (an Arizent brand).

Every month, FACO surveys hundreds of advisors and measures their confidence on a scale of minus-100 to 100. This month, that score fell to minus-9, the lowest recorded this year.

Similarly, faith in the global economic system dropped precipitously as well , from minus-49 in July to minus-71 in August. Confidence in the overall economy went to minus-1 from 14 in June and 15 in July. On the other hand, the score for government policy increased 12.

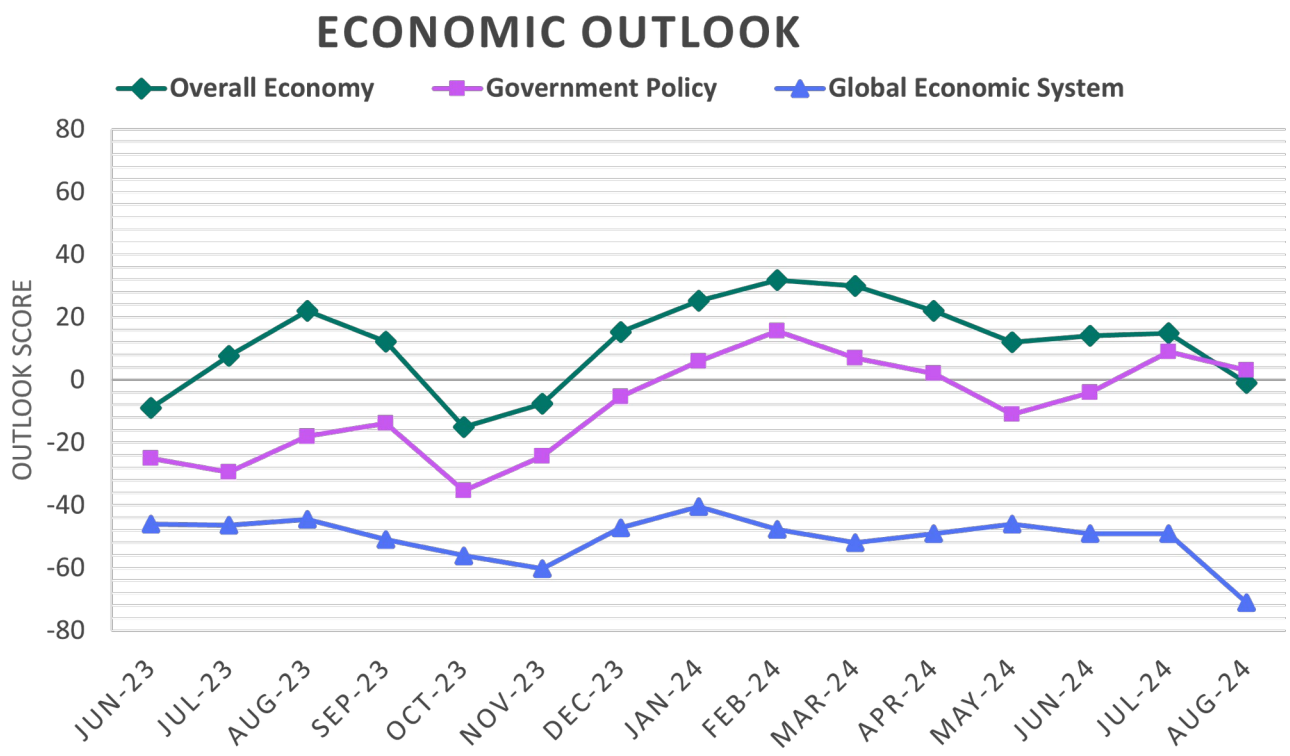


Source: Arizent Financial Advisor Confidence Outlook Survey June 2023 - August 2024

Recent market volatility played an outsized role in client concerns.

"The economy is slowing down and with the stock market at stretched valuations we are becoming more cautious," said one advisor.

Questions over the economic policies of both major parties' presidential candidates have driven uncertainty, not the least of which includes whether or not the provisions of the Tax Cuts and Jobs Act of 2017 are renewed.

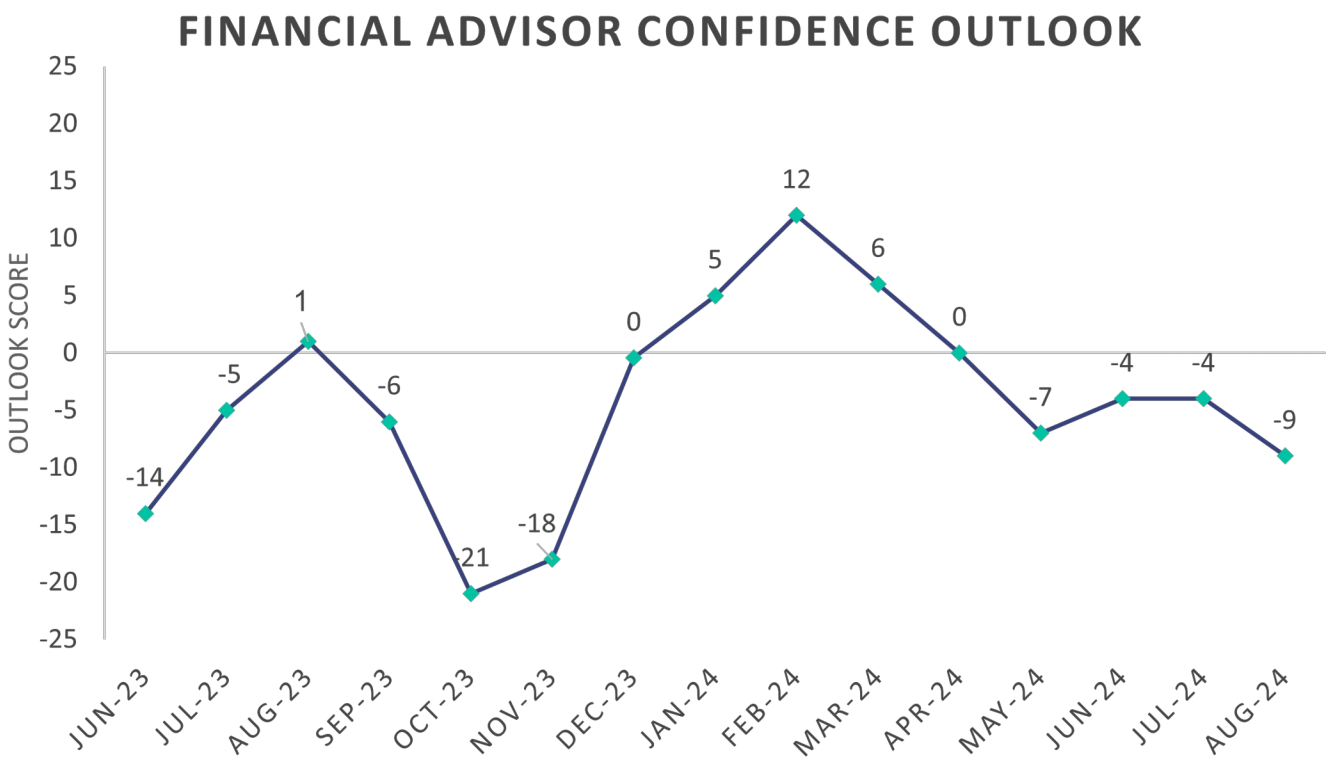


Source: Arizent Financial Advisor Confidence Outlook Survey June 2023 - August 2024

"After a volatile few years, things are settling," said one advisor. "A few favorable tax laws may sunset in 2025, however, they could also be extended or further expanded upon."

Election-year politics played a heavy part in respondents' negative overall economic outlook.

One advisor cited clients' "concerns over the possibility of Trump winning a second term and the domestic and global impact this may have which may not be positive." Another advisor called the political climate "juvenile in [the] U.S. from both parties."



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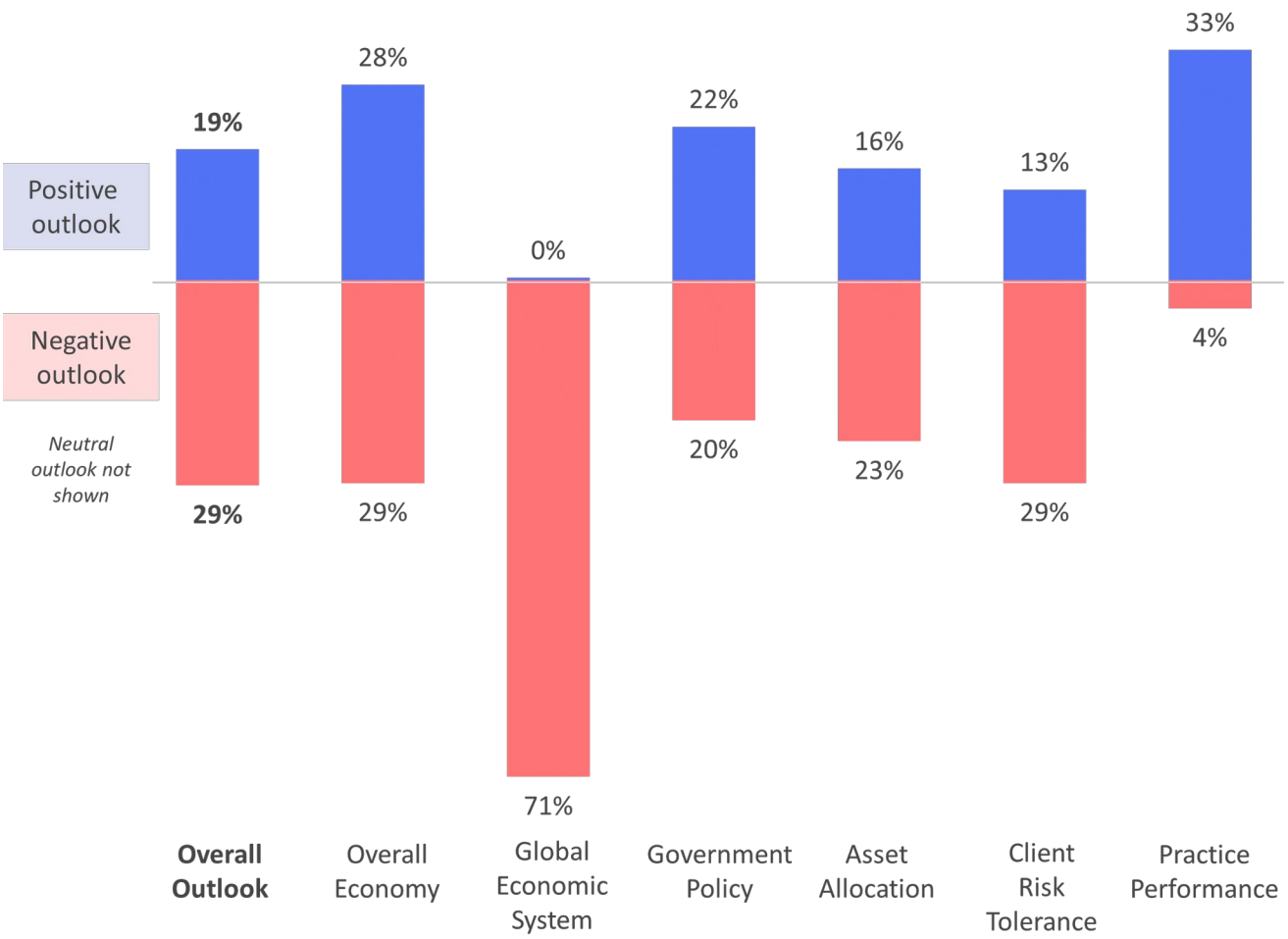
"[The] upcoming election and its impacts seem to have my folks on edge," said another planner.

In addition to the political turmoil in the U.S., others pointed to the fact that "military actions both in Europe and the Middle East created uncertainty in the financial markets."

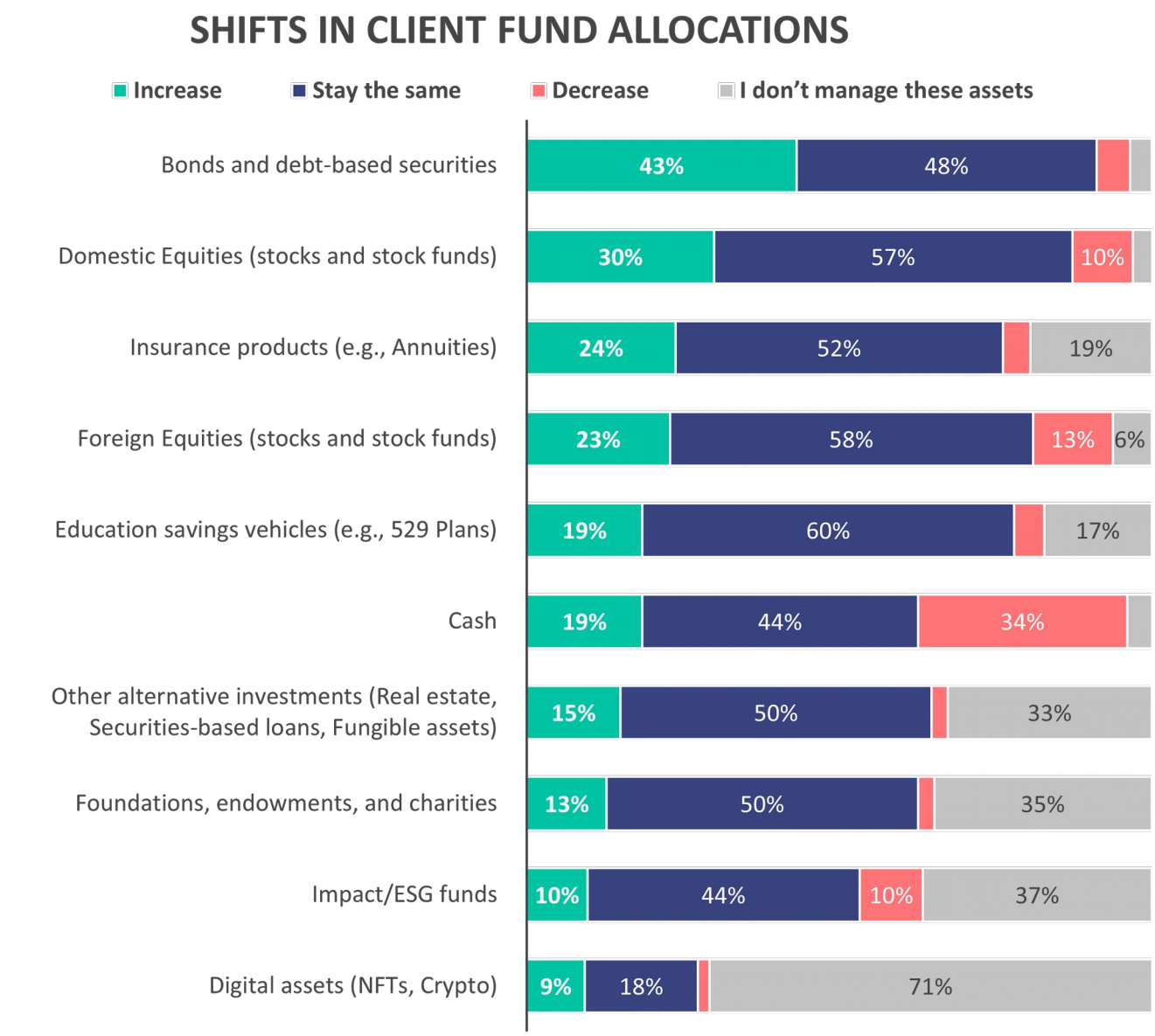
Somewhat paradoxically, the behavioral outlook figures either ticked slightly upwards or remained steady. Practice performance was held at 29, the same as last month. Asset allocation went up somewhat o minus-7 in August from minus-9 in July. Client risk tolerance increased to minus-16 in August from a score of minus-18 in July.



Source: Arizent Financial Advisor Confidence Outlook Survey August 2024
Base: 227 Financial Advisors

Many advisors have been attempting to set their clients' minds at ease about current affairs as it relates to their portfolios.

"Clients have a little hesitation regarding the upcoming election," said one advisor. "I manage their expectations with this [by] showing historical returns and detaching their investment performance from politics."



Source: Arizent Financial Advisor Confidence Outlook Survey August 2024
How do you expect the distribution of funds you manage to shift among these different asset types in the coming month? In the coming month I expect the proportional allocation of funds I manage will…
Base: 227 Financial Advisors

One advisor blamed the "media's constant overly negative news."

"That said, I tell my clients, like announcer Paul Harvey, the rest of the story," they said.

Another planner said that "the election noise distracts clients and creates additional unactionable fears."

"This paralyzes clients from concrete decision-making," they said. "We will try to keep clients focused on long-term goals and historic evidence that the world is

not ending."